

IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

INCOME TAX REFERENCE No 58 of 1997

For Approval and Signature:

Hon'ble MR.JUSTICE J.M.PANCHAL
and
Hon'ble MR.JUSTICE M.S.SHAH

- =====
1. Whether Reporters of Local Papers may be allowed to see the judgements? : NO
 2. To be referred to the Reporter or not? : NO
 3. Whether Their Lordships wish to see the fair copy of the judgement? : NO
 4. Whether this case involves a substantial question of law as to the interpretation of the Constitution of India, 1950 of any Order made thereunder? : NO
 5. Whether it is to be circulated to the Civil Judge? : NO

SHRI VIJAYBHAI C. PATEL

Versus

COMMISSIONER OF INCOME-TAX

Appearance:

SERVED BY RPAD - (N) for Petitioner
MR MANISH R BHATT for Respondent No. 1

CORAM : MR.JUSTICE J.M.PANCHAL
and
MR.JUSTICE M.S.SHAH

Date of decision: 16/01/2001

ORAL JUDGEMENT

(Per : MR.JUSTICE J.M.PANCHAL)

At the instance of the Revenue, the Income Tax Appellate Tribunal, Ahmedabad Bench 'A' has referred following question of law for our opinion in respect of Assessment Year 1990-91 :

"Whether, on the facts and circumstances of the case, the I.T.A.T is justified in law in holding that the amount of incentive bonus is a part of salary u/s.17 of the Act and only those deductions are permissible which are allowable u/s. 16(1) of the I.T.Act ?"

2. The assessee is an individual. He is a Development Officer of LIC of India. He was paid incentive bonus with a view to meeting the expenses that might be incurred by him as a Development Officer for discharge of his duties. During the course of assessment proceedings, the assessing officer held that the claim of 40% of expenses from the incentive bonus commission was not admissible. On appeal, C.I.T.(appeals) following its own decision in the case of Shri P.V.Ashar directed the I.T.O. to allow 40% expenditure out of incentive bonus as admissible deduction and recompute the total income accordingly. On further appeal, the Tribunal has confirmed the decision of C.I.T.(A) and dismissed the department's appeal.

3. Though the applicant is served, no one has appeared on his behalf.

4. We have heard the learned counsel for the Revenue. The learned counsel for the Revenue states that the controversy raised in the present Reference is answered by the Division Bench of this Court in Commissioner of Income-tax v. Kiranbhai H. Shelat & another, (1999) 235 ITR 635.

5. In the above referred to decision, the Division Bench of this Court has held that portion of incentive bonus actually spent by the Development Officer does not constitute salary, but as L.I.C. has proposed to certify 30% of incentive bonus earned as necessary expenses that would have to be incurred, the maximum limit of deduction allowable is 30%. In view of the decision of the High Court quoted above, we are of the opinion that the Tribunal was right in law in allowing separate deduction of expenses out of incentive bonus, but deduction allowable would be upto the maximum limit of 30%. Therefore, we hold that the Appellate Tribunal was right in holding that the assessee was entitled to deduction of

expenditure out of incentive bonus, but the maximum limit of the same would be 30%. Therefore, to the extent of 30%, Reference is answered in favour of the assessee and against the Revenue.

The Reference accordingly stands disposed of,
with no order as to costs.

(J.M.Panchal, J.)

(M.S.Shah, J.)

(patel)